

SENATE FINANCE COMMITTEE

March 16, 2022

9:02 a.m.

[9:02:11 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Lyman Hoffman  
Senator Donny Olson  
Senator Natasha von Imhof  
Senator Bill Wielechowski  
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Ryan Anderson, Commissioner, Department of Transportation and Public Facilities; Rob Carpenter, Deputy Commissioner, Department of Transportation and Public Facilities; Dom Pannone, Administrative Services Director, Department of Transportation and Public Facilities, Office of Management and Budget, Office of the Governor.

PRESENT VIA TELECONFERENCE

Matt McLaren, Alaska Marine Highway System Business Development Manager, Department of Transportation and Public Facilities.

SUMMARY

PRESENTATION: ALASKA MARINE HIGHWAY SYSTEM BY  
DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

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DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

9:02:37 AM

Co-Chair Stedman relayed that the committee would consider a presentation on the Alaska Marine Highway System (AMHS). He noted that there were significant changes coming up. He //

9:04:01 AM

RYAN ANDERSON, COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, introduced himself and discussed his background. He was a graduate in geological engineering from the University of Alaska Fairbanks. He had worked at the Greens Creek Mine. He // He recently worked in // He appreciated his time travelling to rural communities to meet the people and gain a greater understanding of // He hoped he could use //

Commissioner Anderson continued to give his opening remarks. He // He recounted a trip to Ketchikan to meet AMHS staff and learn about the system. He thought // He mentioned the saying "steering the course towards reliability," which // He mentioned forward-funding schedules, which the legislature had approved the previous year. He discussed the Marine Highway Operations Board (??) He mentioned //

Commissioner Anderson discussed challenges with service in the winter of 2021-2022, and highlighted // He explained the state was making progress with the sale of // He mentioned an additional // He referenced \$200 million discretionary grant for rural ferry programs and looked forward to more information coming out on the topic. He summarized that the

9:08:36 AM

Commissioner Anderson mentioned SB 26 // He highlighted that workforce was the system's toughest challenge, and asserted // //

9:09:15 AM

Co-Chair Stedman commented on the many years the members had worked on the committee. He explained that the members dealt with AMHS every year and // He recognized that the Northern Region seemed // He mentioned that some members had concerns about wanting the culture of the Northern Region to // He thought it was beneficial to DOT that the commissioner had come from the Northern Region. He welcomed the commissioner and relayed that the committee looked forward to working with him, particularly // He commented

Co-Chair Stedman continued his remarks // He reiterated that

[9:11:39 AM](#)

Senator Olson // He asked what Commissioner Anderson saw as a vision for the AMHS. He commented //

Commissioner Anderson thought in the short term, it was essential to shore up the system to ensure it could do its job as-is. He continued that // He mentioned the MARAD? marine system and //

Senator Olson asked if Commissioner Anderson was //

[9:13:50 AM](#)

Co-Chair Stedman stated that Commissioner Anderson was extremely qualified, and welcomed him on board. He addressed Senator Olson's question, and //

[9:14:16 AM](#)

Senator Wilson noted that the administration had just proposed a bill to restore some of the funds that // He asked Commissioner Anderson //

Commissioner Anderson thought the administration was looking for any opportunity to // He commented on the importance of the sustainability of the system. He spoke to the capital needs of the system and aging ships. He mentioned //

Co-Chair Stedman explained that Senator Wilson's question was part of the upcoming presentation.

[9:16:06 AM](#)

ROB CARPENTER, DEPUTY COMMISSIONER, DEPARTMENT OF  
TRANSPORTATION AND PUBLIC FACILITIES, //

Co-Chair Stedman stated that the goal was to get the AMHS  
out of Ketchikan and //

9:17:10 AM

DOM PANNONE, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT  
OF TRANSPORTATION AND PUBLIC FACILITIES, OFFICE OF  
MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, discussed  
the presentation "Alaska Department of Transportation &  
Public Facilities - Senate Finance Committee - Alaska  
Marine Highway System - March 16, 2022" (copy on file). He  
looked at slide 2, "Forward Funded Budget Structure," with  
three tables entitled 'AMHS OPERATIONAL LAYERS,' 'Current  
Budget,' and 'Governor's CY2023.'

Mr. Pannone spoke to slide 2. He explained that // The  
second mechanism of forward funding was to shift the budget  
to a calendar year by // The extra funding extended // He  
continued to address // He contended that with continued //  
He noted that the top graphic showed the structure of the  
budget. The first row // Row 3 showed the initial 18 months  
of funding DOT received, and // The yellow bars denoted the  
budget being discussed during the presentation, which would  
//

Mr. Pannone continued to address slide 2. He //

9:19:49 AM

Mr. Carpenter spoke to slide 3, "CY2023 Governor's  
Proposed," which showed a pie chart. He explained that  
DOT's // The quote "All ships, all the time." was meant to  
signify that all ship //

9:20:57 AM

Mr. Carpenter referenced slide 4, "Infrastructure  
Investment and Jobs Act (IIJA) SEC. 71103 - FERRY SERVICE  
FOR RURAL COMMUNITIES":

\$200M per annum, available nationwide, for five years.

Ensures basic essential ferry service is provided to rural areas.

Operators must have operated a regular schedule during the 5-year period ending March 1, 2020 and served at least two communities with a population of 50,000 or less, located more than 50 sailing miles apart.

Awaiting further criteria on program.

Mr. Carpenter // He thought there was a funding opportunity // He was not certain whether there was a match required, and the // The // The department had an additional amount of discretionary funding through the // In addition to the \$200 million, the funds //

[9:22:54 AM](#)

Senator von Imhof Infrastructure thought Investment and Jobs Act (IIJA) funds // She commented //

[9:23:37 AM](#)

Senator Olson considered the \$200 million per year for five years, which he thought was substantial. He // He considered ports and docks and thought smaller towns would not have the infrastructure //

Mr. Carpenter relayed that the language //

Senator Olson asked about the ability to //

Mr. Carpenter stated that the funds were only for rural ferry systems and therefore AMHS //

[9:25:13 AM](#)

Senator Wilson thought the Commissioner Anderson had mentioned the // He asked about the development of the new vessel, and recalled that the previously built vessels //

Mr. Carpenter explained that // The vessel had been designed to fit everywhere the M/V Tustemena // He believed the ship was designed to //

Commissioner Anderson // He addressed future ferries, and agreed that the state needed versatile ferries that could provide redundant //

[9:27:22 AM](#)

Senator Hoffman referenced the second line of slide 4, "ensures basic essential ferry service is provided to rural areas" and // He addressed the topic of underserved areas, such as Kodiak and the Aleutian Chain. He // He asked why the state was not looking at the underserved instead of considering // He thought //

Co-Chair Stedman asked for an explanation of communities //

Mr. Carpenter noted that the point about // He was confident that Alaska would get the majority of the state. // He //

[9:30:22 AM](#)

Senator Wielechowski thought the railroad was looking for \$60 million in bonding authority for // He wondered if DOT was looking for opportunities in which to get involved in a public-private partnership //

Mr. Carpenter // He highlighted that //

[9:31:41 AM](#)

Senator von Imhof // She pointed out that looking North from Ketchikan there were communities that were farther along in having shovel-ready projects. She used the example of Cordova, which had // Some communities were more heavily involved // She contended that Cordova was ready // She hoped AMHS would work with //

[9:33:11 AM](#)

Senator Hoffman // He wondered if the department felt that as the state needed to consider underserved areas and // He suggested that the system // He thought at the least the system could provide some stability and expansion to three or four ships per year //

Co-Chair Stedman understood that the first ship that would be replaced was the cross-gulf ferry.

Mr. Carpenter affirmed that the first ship to be replaced  
//

Co-Chair Stedman thought Senator Hoffman's point was that expanding the cross-gulf trips to // He asked the department to get back to the committee with information regarding the number of trips per year // He was interested in background information // He //

[9:36:37 AM](#)

Senator Olson considered the // He asked if there was a business that sailed to Dutch Harbor, //

Mr. Carpenter relayed that the department's perspective was that the cross-gulf journey was from // He emphasized that DOT believed the AMHS was an extension of the highway system. He // He recounted that AMHS was using supplemental service utilizing catamarans // The system was not opposed //

[9:38:50 AM](#)

Mr. Pannone turned to slide 5, "CY2023 Governor's Proposed Budget," which showed two tables. He thought the slide provided context // The department planned on having a significant increase // The next row showed actual weeks of service by year, which could be reduced by //

Mr. Pannone addressed the bottom table on slide 5, which showed the // He summarized that the calendar year //

Co-Chair Stedman asked for Mr. Pannone to walk through the budgetary process before moving to the next slide.

Mr. Pannone //

Co-Chair Stedman / He asked Mr. Pannone too /

Mr. Pannone addressed the table on the bottom of the slide. He pointed out // the \$5.4 million in DGF from Motor Fuel Tax, and // He noted that \$112 million was // In moving to the calendar year 2023 budget, // [should I use CY for calendar year budget] // The \$135 million was rural ferry service funds from the

[9:42:48 AM](#)

Co-Chair Stedman // He referenced slide 4, which discussed grant awards // He asked //

Mr. Pannone explained that the // The Federal Transit Administration would put out a //

Co-Chair Stedman asked Mr. Pannone to address the schedule, and the cash flow for the system in the summer. He referenced back-fill language in the budget, and //

Mr. Pannone explained that as of now the department had funding // The system was funded and had a budget until the beginning of 2023. // If there was a delay in federal funding, the system //

Co-Chair Stedman asked if the \$25 million would serve as supplemental monies // He relayed that there was concern // He drew attention to slide 5 and the //

[9:46:03 AM](#)

Senator Hoffman looked at the second line of the first graph on slide 5, showing actual weeks of service. He // He asked how much money was in the budget from the Marine Fuel Tax. He asked for //

Mr. Pannone stated that the department planned for //

[9:47:54 AM](#)

Co-Chair Bishop asked about the // He asked where the funds //

Mr. Pannone thought the department hoped to formulate a plan to put the funds towards capital needs, assuming //

[9:48:36 AM](#)

Senator von Imhof expressed worry about reduced funding in five years. She observed that // She was concerned that the department would be building back and efficient and robust system, but hoped there //

Co-Chair Stedman thought the committee needed to discuss // He asked //



Mr. Pannone relayed that the department had looked at //  
None of the //

Co-Chair Stedman thought //

9:51:25 AM

Mr. Pannone considered slide 6, " 6AMHS Revenue & Weeks of Service FY2014 - CY2023," which showed a bar graph depicting revenue over the yearly quantity of weeks of service. The bars showed // and the line showed // He pointed out the significant dip in revenue and service during the "Covid years" and // He thought the takeaway was to show //

Co-Chair Stedman // He thought // He shared that there was concern //

9:52:51 AM

Mr. Carpenter displayed slide 7, "Historical Revenues and Operating Costs," which showed a bar graph entitled 'AMHS Fare Box Recovery Rate 1992-2023 Gov.' He thought the slide provided historical reference to the // He noted that the salmon colored bar represented // He noted that the numbers were adjusted // He thought it was shown that the //

Mr. Carpenter recounted that the farebox recovery was shown by the yellow line //

9:55:05 AM

Senator von Imhof asked if the department had considered the fares in the current year in light of //

Mr. Carpenter // He explained that fares were a challenging topic. In recent years, the system did a leveling of fares // He explained //

Senator von Imhof // She observed that the fares had not // She thought //

Co-Chair Stedman thought many people served by the AMHS were concerned about affordability. He // He asked Mr. Carpenter to speak to dynamic pricing. //

Mr. Carpenter did not know details about // He explained that as the car deck filled, it was // He thought the pricing // He would have thought two years previously that // He thought //

[9:58:45 AM](#)

Co-Chair Bishop asked //

Mr. Carpenter //

Co-Chair Bishop

Mr. Carpenter //

[9:59:04 AM](#)

Senator Hoffman understood // It was brought to his attention that a person that bought a new vehicle , the AMHS was about // He thought there // He hypothesized about moving a vehicle from Haines to Juneau, and considered the difference in price between a private system and the AMHS. He thought // He thought there was room to look at the rate structure. He //

[10:01:06 AM](#)

Mr. Pannone highlighted slide 8, "AMHS Funds and Sweeps":

Alaska Marine Highway System Fund (1076)

AS 19.65.060, AS 37.05.550

Sweepable: Yes

Swept Amount: \$0

Capitalization Account (3225)

subaccount of AMHS Fund

Sweepable: Yes

Swept Amount: \$2,629.4

AMHS Vessel Replacement Fund (1082)

AS 37.05.550

Sweepable: Yes

Swept Amount: \$18,477.9

Balance: ~\$28M

- \$2.6M Ocean Going Vessel, Planning & Design (\$10M -FY2014)

- \$22M Ocean Going Vessel, Construction Match

(\$22M -FY2018)

- \$3.4M Title 23/Federal Share of Vessel Sales / Other

SB 226 - Relocates AMHS Fund outside of General Fund  
Balances not subject to sweep or further appropriation

Mr. Pannone summarized that slide 8 covered // He noted that the amount not swept from the AMHS Vessel Replacement Fund was not swept and was //

[10:03:04 AM](#)

Senator Wilson thought the commissioner // He asked what the department was doing // He thought the state was technically breaking the regulations //

Commissioner Anderson thought there was a broad awareness that // The AMHS funds were no longer deposited into the account, but // Further spending would be allowable without further appropriation. The change proposed in //

Senator Wilson // He asked what the department was doing //

Mr. Carpenter thought the department's legislative liaison was making the effort //

Co-Chair Stedman thought there were a couple of different concepts that the committee needed to work thought // He spoke to the disagreement the legislature had with the administration regarding the sweep //

[10:06:38 AM](#)

Mr. Pannone looked at slide 9, "Fuel Calculations":

Fuel calculations based on Oil Price Information Service (OPIS), Cost = OPIS Pricing + Delivery Charge

CY2023 budget built on \$2.36/gal (8.4M/gal = \$19.9M),  
FY2021 Averages were \$2.21/gal

7/1/2021 to 3/11/2022 average is at \$2.90/gal

Fuel expenditures vary significantly by ship

Mr. Pannone explained that //

Co-Chair Stedman thought the fuel estimate seemed a little light. He asked if there would be a potential adjustment to the numerics or // He thought it was optimistic to // He //

Mr. Carpenter //

Co-Chair Stedman requested that the department review the FY 23 price projection for fuel, and //

10:09:17 AM

Co-Chair Bishop asked for information about the fuel burned per ship.

Co-Chair Stedman requested the commissioner look at the operating budget for the department and consider fuel needs. He commented on the significant change in the fuel market and the // He thought it would be malfeasance //

Commissioner Anderson agreed.

10:10:28 AM

Mr. Carpenter addressed slide 10, "Staying the Course, Toward Reliability":

- Forward funded budget
- First full year advance schedule published
- Tustumena replacement vessel: CMGC
- Hubbard: crew quarters
- Prince Rupert:
  - Working toward May 23rd
  - June -September schedule published
- Marine highway planner final candidate selection underway
- Contingent private contract service
- Tazlina: crewed, sailing since February 4th
- Alaska Marine Highway Operations Board meeting every two weeks
- New change management director
  - Katherine Keith, Certified Project Management Professional and Project Management Institute Agile Certified Practitioner

Mr. Carpenter // He commented on the significant discussion about stabilizing and modernizing the fleet during board

meetings for AMHOB. He discussed the new change management director, and //

10:14:17 AM

Co-Chair Bishop asked if it was too early to tell if bookings were up considering //

Co-Chair Bishop // He //

10:15:05 AM

MATT MCLAREN, ALASKA MARINE HIGHWAY SYSTEM (AMHS) BUSINESS DEVELOPMENT MANAGER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (via teleconference), explained that //

Co-Chair Stedman //

Co-Chair Stedman asked, since the //

Mr. McLaren // He noted the department was seeing an increase in bookings and // There was // He thought the forward-funding was //

10:17:10 AM

Mr. Pannone advanced to slide 11, "State Funded Overhauls," which showed a bar graph and a table entitled 'Actuals by Vessel.' He // He noted the department had an increased request in the amount of // The department had identified about \$2 million in deferred maintenance // He explained that the table //

Co-Chair Stedman thought there had been concern for many years that //

10:18:40 AM

Co-Chair Bishop asked about the deferred maintenance and the //

Mr. McLaren relayed that the current deferred maintenance was about \$2.5 million. The system was working on //

Co-Chair Stedman asked //

Mr. McLaren // He stated that the // The larger items coming up in the next five years included more than \$200 million, //

[10:20:47 AM](#)

Mr. Carpenter looked at slide 12, " AMHS Staffing Needs (as of 3/10/2022)," which showed a bar graph entitled 'Hired vs Separated,' and a table. He referenced AMHS's staffing issues, and pointed out that // He highlighted the bar graph, showing that // The system had lost // The table to the right showed vacancy by position, // He commented on the significant //

[10:22:32 AM](#)

Co-Chair Bishop asked what the system was doing // He mentioned the Alaska Maritime Workforce Development XX //

Mr. Carpenter mentioned that the // He was unsure of the reason for // //

Co-Chair Bishop thought the // He thought //

[10:24:14 AM](#)

Senator Hoffman asked where they system was in the cycle of union negotiations.

Mr. Carpenter relayed that all three unions were presently //

[10:24:48 AM](#)

Senator Wielechowski asked about the COLA increase the state had proposed for the unions over the years.

Mr. Carpenter could not speak to negotiation details, which were not publicly available.

Co-Chair Stedman looked at the chart on slide 12, and // He commented on the significant challenge of the vacancies. He asked // He asked how the system planned on sailing the ships if the recruitment was not as successful as hoped. He //

[10:27:08 AM](#)

Mr. Carpenter showed slide 13, "AMHS Crewing Requirements":

Staffing goals for eight ferries over the summer of 2022 are:

IBU: 496 (current 305) / MMP: 112 (current 78) / MEBA: 80 (current 55).

Staffing goals for the summer season will not be met at current recruitment rates.

250 Hires required for healthy staff levels.

M/V Columbia's operation depends on reaching staffing targets.

IBU: Inlandboatmen's Union of the Pacific

MMP: International Organization of Masters, Mates, & Pilots

MEBA: Marine Engineers' Beneficial Association

AUR: Aurora

MAT: Matanuska

LEC: Leconte

LIT: Lituya

COL: Columbia

KEN: Kennicott

TUS: Tustumena

TAZ: Tazlina

Mr. Carpenter spoke to the table including the minimum number of // He was hopeful that recruiting efforts would //

Co-Chair Stedman asked Mr. Carpenter to elaborate on the M/V Columbia. He understood that // He asked //

[10:30:49 AM](#)

Mr. Carpenter explained that // He reviewed the staffing goals listed on the slide.

Co-Chair Stedman //

[10:32:04 AM](#)

Senator Wilson thought the AMHS had a stellar safety record. He asked if //

Mr. Carpenter answered \

10:32:31 AM

Senator Wielechowski asked if returning to a defined benefit system would help in retaining employees.

Mr. Carpenter //

Co-Chair Stedman //

Mr. McLaren explained that the // The MMP //

Co-Chair Stedman //

10:34:00 AM

Senator Hoffman asked for a comment on the service between Ketchikan and Metlakatla. He //

Co-Chair Stedman asked for //

Mr. Carpenter noted there was daily service between Metlakatla and Ketchikan //

Co-Chair Stedman asked //

Mr. McLaren informed that // He t//

Co-Chair Stedman asked Mr. McLaren to get back to the //

10:36:00 AM

Co-Chair Bishop asked if Mr. Carpenter was in direct consultation with the affected bargaining units to see if the unions could help with recruitment.

Mr. Carpenter answered affirmatively. He //

Co-Chair Bishop appreciated Mr. Carpenter's response. He thought in years past //

Co-Chair Stedman asked for a decade of data on employee headcount. He relayed concern about the ability to replace personnel in time // He thought it seemed like every employee group in the country was having trouble with



staffing. He explained that the committee wanted to understand the risk //

Co-Chair Stedman asked Mr. Carpenter to get back to the committee with information on the revenue potential compare dot the costs by ship. He //

Mr. Carpenter thanked the committee.

Co-Chair Stedman // He was glad to see the AMHS evolving //

#

ADJOURNMENT

10:39:49 AM

The meeting was adjourned at 10:39 a.m.